

Top Secret

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NATIONAL INTELLIGENCE DAILY CABLE

Wednesday July 27, 1977

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NATIONAL SECURITY INFORMATION

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National Intelligence Daily Cable for Wednesday, July 27, 1977

The NID Cable is for the purpose of informing senior US officials.

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LEBANON: Plans for Cairo Accord

25X1 [] Syrian, Lebanese, and moderate Palestinian representatives have reached agreement on yet another plan to implement the Cairo Accords, which were designed to regulate the Palestinian presence in Lebanon, and to reduce tension in south Lebanon. While only sketchy details have been released, the plan apparently calls for Palestinian and Christian withdrawals of up to 15 kilometers from the Lebanese-Israeli border. Palestinian rejectionist groups and hard-line Christians--whose acquiescence would be essential to the plan's success--have not yet commented.

25X1 [] Salah Khalaf of the Palestine Liberation Organization told reporters that the first phase of the plan will go into effect on Saturday. It calls for restricting the types of weapons allowed in Palestinian camps, prohibiting armed Palestinians outside the camps, and authorizing the Syrian-dominated Arab Security Force to raid all arms depots, including Christian, maintained in violation of the "agreement"--presumably the Cairo Accords. Some press reports assert that the Palestinians will be forbidden to have heavy or medium weapons in their camps.

25X1 [] These provisions are highly unrealistic and are likely to be implemented only in a token manner if at all. The Palestinians regard their arms as a non-negotiable asset and are not likely to withdraw all their forces into the camps, although they may agree to a limited pullback in south Lebanon. The Syrians in turn are not likely to jeopardize their improved relations with Fatah, or increase their difficulties with the Christians by raiding major weapons depots.

25X1 [] The second phase of the purported plan calls for Palestinian and Christian withdrawals in the south and their replacement by regular Lebanese forces. Both phases are to be supervised by troops from the Arab Security Force.

25X1 [] Khalaf claimed that all Palestinian organizations--including the rejectionists--have agreed to the plan. We have seen no reaction from the rejectionists, however, and are skeptical that they would agree to withdrawals without a similar agreement from the Christians.

25X1 [] Most Lebanese politicians are doubtful that the plan will be implemented but appear willing to give it a chance.

President Sarkis told a Phalange Party leader that the agreement will at least loosen the impasse in the south and may generate momentum for future agreements.

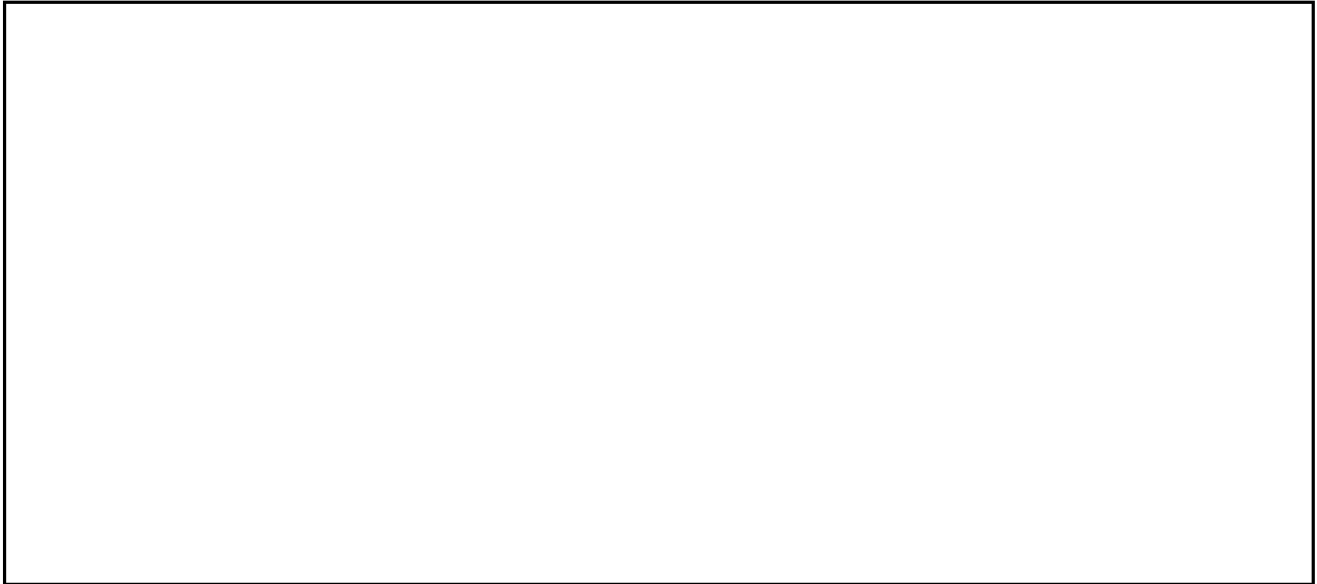
Major obstacles to the success of the plan's second phase will be Israel's refusal to allow Arab Security Force power in the south and the abject state of the Lebanese army. Only one Lebanese brigade has been reconstituted since the civil war ended, and it is poorly equipped to undertake such a substantial task as policing withdrawals in the south.



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USSR-EGYPT-LIBYA: *Pravda* Statement

[Redacted] In the first official Soviet response to the fighting between Egypt and Libya, Soviet President and party leader Brezhnev tepidly remarked yesterday that he had "received with concern" the news of hostilities in some areas of Africa. Yesterday's Pravda also carried a statement by the semi-official Soviet Afro-Asian Solidarity Committee that carefully criticized Egypt's military actions against Libya, but avoided labeling Egypt as the aggressor. These statements indicate that the Soviets want to avoid any further deterioration in relations with Egyptian President Sadat.

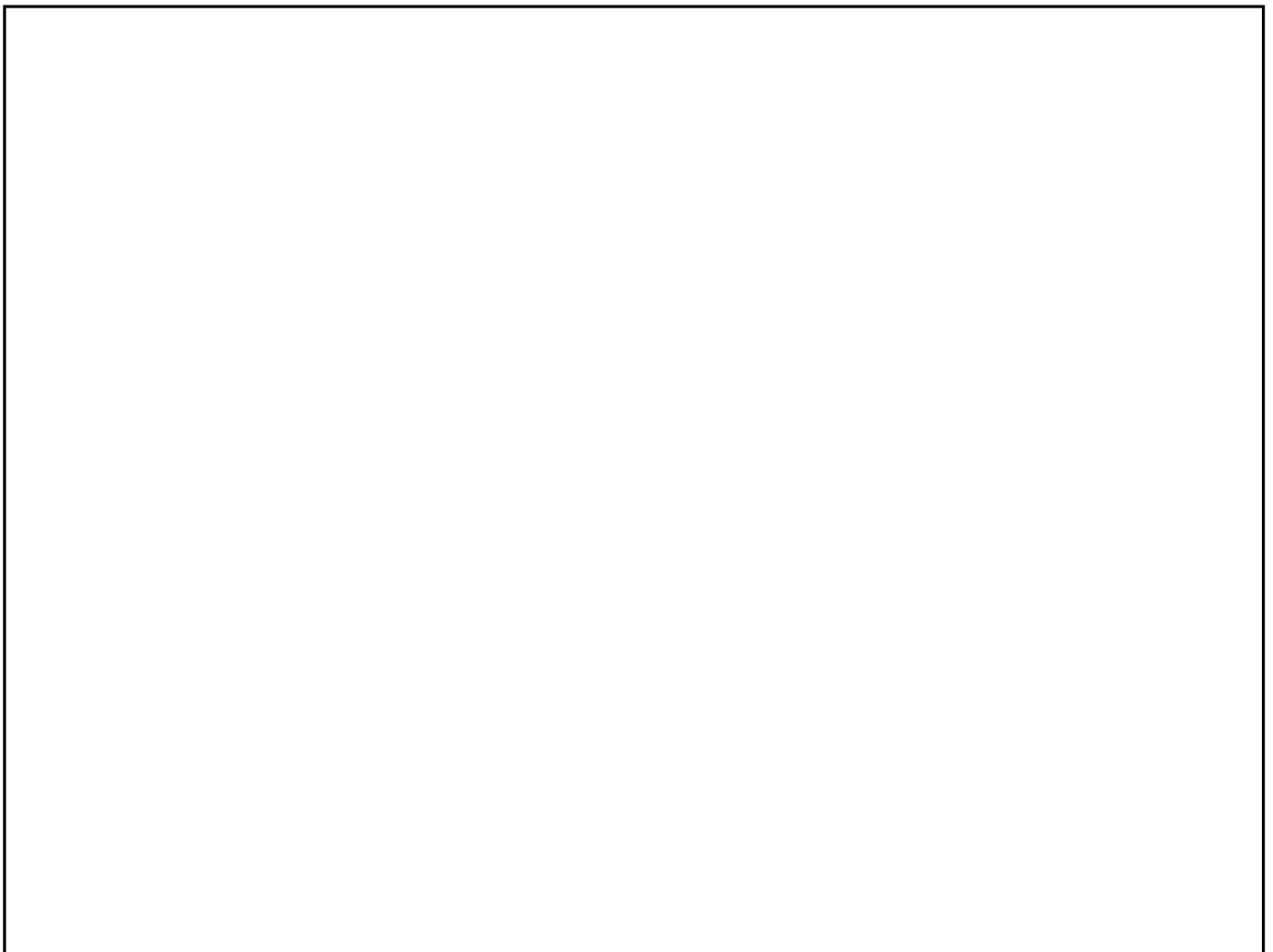
[Redacted] Since the hostilities last week between Egypt and Libya, Soviet commentary has been far less supportive of Libyan President Qadhafi than it was during two occasions in the past year when the threat of hostilities existed. Brezhnev's remarks yesterday were particularly weak and Pravda's use of a statement by the Solidarity Committee strongly indicated that Moscow did not want to antagonize the Egyptians. At no point during the fighting has there been any Soviet criticism of Sadat personally.

[Redacted] The military clashes over the weekend did not even keep the Soviets from using Egypt's National Day to call for a normalization of Soviet-Egyptian relations. Soviet attendance

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at Egyptian embassy receptions in Moscow was normal, and there was no indication that Soviet officials conveyed any adverse reaction to their Egyptian hosts.

25X1 [] The mild handling of the Egyptians suggests that Moscow, in addition to trying to prevent any further deterioration in its relations with Cairo, is anxious to stabilize state-to-state contacts in order to play a role in the politicking for a resumption of the Geneva conference on the Middle East. The Soviets presumably realize that they cannot hope to play a meaningful part in settlement discussions as long as their relations with Egypt are in disarray. [] 25X1



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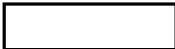
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ISRAEL: Settlement Activity

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 The three West Bank settlements officially recognized yesterday by the Israeli government were set up some time ago by the ultra-conservative Gush Emunim organization. The government today reportedly will announce the establishment of two other settlements in the northeast Sinai that it says were planned by the Labor government. Arab leaders are certain to interpret the government's actions, coming only days after Prime Minister Begin's return from the US, as evidence that Israel will not bargain in good faith in future Middle East peace negotiations.

25X1 [] The two settlements in the Sinai are located just south of the Gaza Strip, in the so-called Rafah Approaches. The West Bank settlements are all located in the northern Samaria district near heavily Arab-populated areas. The former Labor cabinet had unofficially tolerated two of the West Bank settlements, located near Ram Allah and Jericho, but regarded the Gush site near Nabulus as illegal. Labor generally restricted settlements on the West Bank to such strategically important, sparsely inhabited regions as the Jordan valley.

25X1 [] By approving what had been accepted by his Labor predecessors rather than establishing new settlements, Begin probably hopes to deflect US and international protests and at the same time satisfy his own conservative supporters who expect him to encourage settlement activity.

25X1 [] The Arabs, however, will see the government's approval of the West Bank sites, in particular, as the natural consequence of Begin's insistence that the West Bank is an integral part of Israel.

25X1 [] Similarly, Palestinian residents of the West Bank will regard the government's approval as only the first step toward establishing other Jewish settlements in the territory. Additional settlements near Arab population centers would be likely to provoke anti-government protests and demonstrations, possibly violent, by West Bank militants.

25X1 [] The reaction in Israel to the government's actions is likely to be mixed. Labor, the Democratic Movement for Change, and other moderate groups in the opposition probably will protest the government's approval of the West Bank settlements and argue that the timing of the decision will aggravate Israel's relations with the US. Democratic Movement leaders opposed to joining Begin's cabinet will now probably seize on the government's decision to buttress their case.

25X1 [] Hardliners in Likud, the hawkish National Religious Party, and the ultra-conservative Gush Emunim, on the other hand, will applaud the government's measures. Gush leaders in particular will regard approval of the West Bank sites as endorsement of their long-standing demand that Jews be allowed to settle anywhere they want on the West Bank.

25X1 [] The Gush reportedly has been planning for some time to establish a number of new settlements in the West Bank, particularly in the north. A Gush spokesman stated yesterday that his organization intended to set up as many as 10 settlements during the next year. []

UK: Home Rule Plans Move Ahead

25X1 [] //The Labor government is moving ahead with plans to introduce revised home rule legislation for Scotland in the fall. The changes in the bill appear to improve its chances of passage, which in turn might boost Labor's sagging popularity in Scotland. A strong showing in Scotland is important to Labor Party fortunes in the next parliamentary election, but the government's survival will ultimately rest on its ability to induce the trade unions not to engage in a wage increase free-for-all when pay controls expire at the end of the month.//

25X1 [] //The government announced yesterday its intentions to push for greater autonomy for Scotland and Wales when the new parliamentary session begins in November. Earlier home rule plans failed when a government move to cut off a filibuster by the bill's opponents was stymied by a combination of Conservatives and rebellious Labor members of Parliament.//

25X1 [] //The cabinet has now decided to introduce separate bills for elected assemblies in Scotland and Wales. Such a move increases the chances of Scottish devolution at the expense of Wales, where the desire for an elected assembly is less intense than in Scotland.//

25X1 [] //A number of Labor members of Parliament from Wales who voted against the government's devolution plans earlier this year can probably be persuaded at least to support the new bill for Scotland. These members probably regard Welsh nationalism more as a cultural curiosity than a legitimate political movement, a position that could hurt their chances for re-election.//

25X1 [] //Plaid Cymru, the nationalist political party, received 11 percent of the Welsh vote in the October 1974 election, and this could be swelled by protest votes if Wales were seen to be treated shabbily in the home rule debate.//

25X1 [] //The other major change in the government's home rule plans involves financial arrangements for the elected assemblies, a stumbling block in the earlier legislation. The government continues to back the parliamentary grant method, under which Westminster would simply grant a lump sum annually to each assembly, allowing local officials to determine the spending priorities.//

25X1 [] //An accompanying white paper, however, presented options for raising local revenue that outline the pros and cons of separate taxation. The government recommends against giving the local assemblies the power to tax but will accept amendments from the floor of the Commons when the bill is debated or later from the assemblies themselves.//

25X1 [] //The government believes that introduction of devolution legislation will neutralize Scottish Nationalist members of Parliament on confidence votes; it reasons that the Nationalists would not want to help topple a pro-devolution Labor government and usher in a Conservative administration hostile to Scottish home rule.//

25X1 [] //The government's revised devolution plans, which take into account many Liberal desires, probably contributed to yesterday's decision by Liberal members of Parliament to renew their pact with the Labor Party. The Liberals would probably renege on the deal, however, if Labor should permit a wage explosion or some other deleterious economic development that led to a loss of foreign confidence in sterling. []

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ITALY: Political Debates

25X1 [] *While Italian Prime Minister Andreotti visits the US, his Christian Democratic Party continues to weigh the political implications of its recent program agreement with the Communists and the other parties that abstain in parliament to keep Andreotti in office. The Christian Democrats are also debating whether to push for postponement of local elections slated for the fall, which would provide the most meaningful test of voter sentiment since the 1976 parliamentary election.*

25X1 [] A recent meeting of the Christian Democratic directorate revealed considerable nervousness and discontent in the aftermath of the program agreement. Many Christian Democratic leaders are worried in particular that the party's local organizations will interpret the program agreement as a green light for closer relations with the Communists at the regional, provincial, and municipal levels.

25X1 [] Program agreements like the one reached in Rome have been in effect for about a year in several localities, and the Christian Democrats probably fear that some local party leaders will now be tempted to yield to Communist pressure for closer collaboration. As a result, the directorate issued a statement warning local Christian Democratic leaders to observe "scrupulously" the party's policy opposing such a development.

25X1 [] The directorate meeting also produced heated debate on whether to try for postponement of local elections scheduled for November. There is intense interest in these contests because they will involve about 10 percent of the electorate--the largest number of voters to go to the polls since the 1976 parliamentary race--and they will be closely studied for clues as to whether the trend toward the left is continuing.

25X1 [] //If postponed, the elections would be held with other local contests scheduled for next spring. About 28 percent of the electorate would then be involved.//

25X1 [] The Communists apparently favor postponement, wanting more time to consolidate their earlier gains and preferring to avoid, for now, a direct confrontation with the Christian Democrats. The smaller parties have mixed feelings about delaying the vote, although many Socialists like the idea of having more time to rebuild the party organization.

25X1 [] //The Christian Democrats are split on the issue. Among those favoring postponement is party chief Zaccagnini, who reportedly thinks the elections will show gains for both the Christian Democrats and the Communists at the expense of the smaller parties. Zaccagnini fears that this would increase pressure for the two large parties to deal directly with each other, without paying much attention to the Socialists and other parties. The party leader is also concerned that an electoral clash between the Communists and Christian Democrats would jeopardize the Andreotti government and the recent program agreement.//

25X1 [] A majority of the Christian Democrats at the directorate meeting, however, spoke out against postponement. These party leaders believe that the elections would be a useful way to gauge voter reaction to the program accord. They argue, moreover, that the Christian Democrats would do well in the elections and that the tension generated by a campaign is the best way to avoid drifting into closer relations with the Communists.

25X1 [] The question is likely to be one of the central issues at a meeting of the Christian Democratic National Council--the party's chief deliberative body--which convenes on Friday.

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CZECHOSLOVAKIA: Retail Prices

25X1 [] *Czechoslovakia has broken its seven-year freeze on retail prices but has avoided raising prices of politically sensitive basic foodstuffs. There will be some grumbling over the increases but significant public unrest is not likely.*

25X1 [] The price increases, announced on July 22, were applied primarily to goods produced from imports of Western raw materials. They cover eight categories, including chocolate (33-percent increase), coffee (50 percent), and cotton and wool products (34 percent). Prices were reduced on several categories of goods, such as color televisions (26-percent reduction), pocket calculators (40 percent), and synthetics (28 percent) that are produced domestically or in allied countries.

25X1 [] The government will probably place the blame for the increases on Western inflation. Recent Czechoslovak press reports have stressed the familiar theme that Czechoslovakia is a manufacturing country that has had to pay increasingly higher prices for its raw material imports from the West. The government also will emphasize that the price freeze on basic foodstuffs can only be maintained by increasing the prices of nonessential goods.

25X1 [] The US embassy reports that the increases had been rumored for some time, sparking a last-minute run on supplies of coffee, chocolate, and sugar. The price of sugar apparently was not increased.

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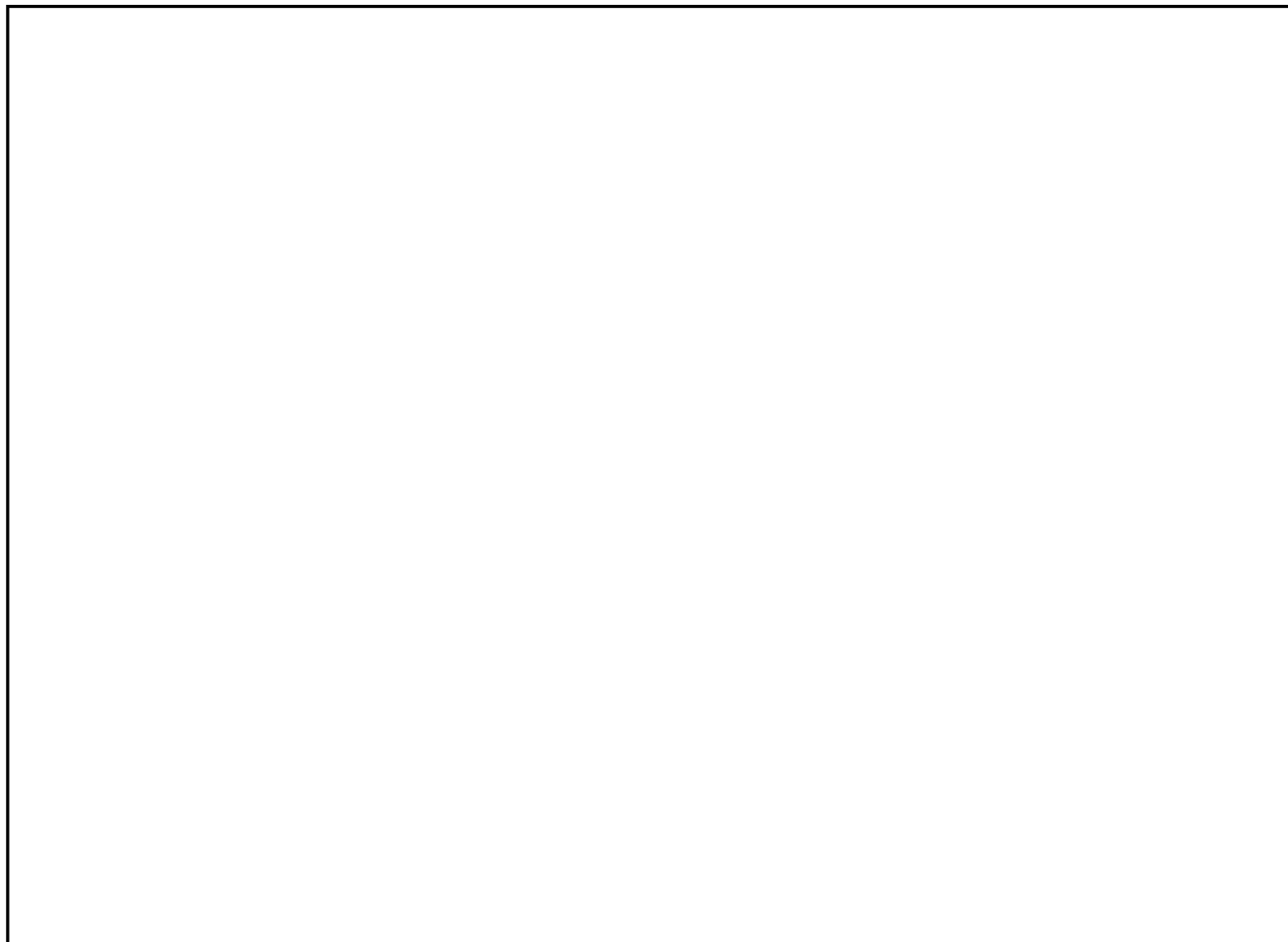
[] The end of the price freeze is another signal to the Czechoslovak public that the government is no longer willing, or able, to subsidize all consumer goods. Last year, party leader Husak stated that stable prices on basic foodstuffs depended on improved economic productivity.

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[] Despite the official price freeze since 1970, there has been substantial hidden price inflation through such techniques as repackaging old products and selling them at higher prices. There have also been seasonal fluctuations--sometimes dramatic--in official food prices, reflecting changes in supply. For example, potato shortages caused prices to triple last autumn. Such changes are only temporary and, as supplies improve, prices are returned to fixed base levels. []

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